

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6206**

**BILL NUMBER:** SB 136

**DATE PREPARED:** Feb 11, 2002

**BILL AMENDED:** Jan 17, 2002

**SUBJECT:** Telephone Calling System for Confined Offenders.

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**FUNDS AFFECTED:**     **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill has the following provisions:

(A) It makes the requirements for a solicitation for a telephone calling system provided to an offender located in a county with a population greater than or equal to 75,000 who is confined in: (1) a community corrections facility; (2) a juvenile detention facility; (3) a juvenile detention center; or (4) a county jail equivalent to the solicitation requirements for a Department of Correction facility.

(B) It requires the Department of Administration to accept the lowest and best proposal for a telephone calling system for confined offenders.

(C) It provides that commissions received under a contract for a telephone calling system for confined offenders entered into by the Department of Administration shall be used to fund capital improvement projects at Department of Correction facilities. It also provides that money in the Correctional Facilities Calling System Fund may not be spent without a specific appropriation.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) *Background:* The Department of Administration contracts with at least three major providers of telephone services for offenders in DOC facilities. GTE and Ameritech provide local calls, while T-NETIX provides long distance calls. Commissions received from GTE and Ameritech are deposited in the Offender Recreation Fund which is used in DOC facilities, while the commissions received from T-NETIX are deposited in the Pay Phone Fund.

Revenues from the Pay Phone Fund have been used to finance projects that will improve the telecommunications and computer capabilities of the state government. The fund consists of net proceeds received from contracts with companies providing phone services at state institutions (including state parks and state hospitals) and other state properties. The General Assembly appropriated \$7.1 M for FY 2002 and

\$8.1 M for FY 2003. The following shows the revenue deposited into these two funds from these commissions in FY 1999, FY 2000, and FY 2001:

<u>FY</u>	<u>Pay Phone Fund</u>	<u>Offender Recreation Fund</u>	<u>Total Revenue</u>
1999	\$5,809,008	\$693,485	\$6,502,493
2000	\$5,978,222	\$850,157	\$6,828,379
2001	\$1,472,558	\$900,000 (est.)	\$2,372,558

*Provision B:* This bill would require the Department of Administration to solicit for telephone services for confined offenders and emphasize lower per call service charges, per minute rates, and commission rates when the next contract expires. Whether this bill would affect the rates that are charged for offender calls will depend on rates specified in the solicitation and the response from potential vendors.

As an example of how both the rate of commission and the telephone charges for confined offenders could be lowered, the following table compares the rates and provisions of the current and past contracts that the Department of Administration has secured for telephone services for offenders in DOC facilities:

<u>Vendor</u>	<u>Years of Contract</u>	<u>Connection Fee</u>	<u>Per Minute Charge</u>	<u>Commission</u>
AT&T	1995 to 2001	\$3.95	\$0.69	53%
T-NETIX	2001 to 2005	\$1.50	\$0.25	35%

The Department of Administration anticipates this contract will likely result in lower revenues because of the reduction and fees that the vendor will charge as well as the lower commission rate that the state will receive.

For local services, Ameritech charges a connection fee of \$3.65. The per minute charges are currently not available. This contract expires October 31, 2002.

Any revenue loss that would occur from this bill will depend on the terms agreed to in the next contract.

*Provision C* would shift the revenues currently being deposited into the Pay Phone Fund from commissions from the DOC facilities to a Correctional Facilities Calling System Fund. The fund would be used for improving, repairing, rehabilitating, and equipping DOC facilities. The amount of this revenue shift would depend on the commission revenue that is currently deposited in the State Pay Phone Fund from DOC facilities. This provision would not eliminate the funding stream for the Pay Phone Fund, but would reduce the amount of revenue that the fund receives from DOC facilities. Based on the reported revenues for FY 2001, this revenue shift could be as much as \$1.4 M. As of January 15, 2002, \$4.3 M of the \$7.1 M appropriation has already been spent, and \$8 M is currently in the fund balance. Money in the fund can only be spent if the General Assembly appropriates a specific line item in the budget bill or otherwise specifically appropriates money in the fund.

#### **Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) Provision A: The impact that this bill would have on revenues received at the county level will depend on: (1) the current contracts that the various county sheriffs offices, juvenile detention facilities, and community correction advisory boards (county agencies) have, (2) when

these contracts expire, and (3) whether the fees charged and commission rates that the counties receive exceed the terms of the next contract between the Department of Administration and a provider for telephone services for confined offenders.

Revenue that the county agencies collect are determined by fees charged and the commission rates received. Reducing either the fees charged to the persons receiving the calls (almost all calls from confined offenders are automated collect calls) or the commission rate received by the county agencies will reduce the revenue that these agencies will collect. The specific timing of this effect will depend on when this bill would be signed into law, when the next contract between the Department of Administration and vendor would be completed, and when the contracts of these county agencies expire.

As an example, the next contract that the Department of Administration will solicit will be for local telephone service. The current contract with Ameritech expires October 31, 2002. Assuming that the effective date of this bill occurs prior to the effective date of the contract for local telephone service, then any contract between the county agencies and telephone vendors that comes up for renewal after October 31, 2002, will be affected by this bill.

The following table shows the 18 counties that would be affected by this bill. Each of these counties has a population exceeding 75,000; each has a sheriff's office that would be affected; 13 counties have juvenile detention facilities; and 16 have community corrections programs that could potentially experience a reduction in revenues that are currently received from telephone commissions.

<b>Counties</b>	<b>Population</b>	<b>Sheriffs Offices</b>	<b>Juvenile Detention Center</b>	<b>Community Correction Centers</b>
Allen	331,849	X	X	X
Clark	96,472	X	X	
Delaware	118,769	X	X	X
Elkhart	182,791	X	X	X
Hamilton	182,740	X	X	X
Hendricks	104,093	X		
Howard	84,964	X	X	X
Johnson	115,209	X	X	X
Lake	484,564	X	X	X
La Porte	110,106	X	X	X
Madison	133,358	X	X	X
Marion	860,454	X		X
Monroe	120,563	X		X
Porter	146,798	X	X	X
St. Joseph	265,559	X	X	X
Tippecanoe	148,955	X		X
Vanderburgh	171,922	X	X	X
Vigo	105,848	X		X

As examples of the fees charged to offenders for telephone calls, the following are shown:

<u>Vendor</u>	<u>Connection Fee</u>	<u>Per Minute Charge</u>
Ameritech	8.95	.45
AT&T	9.99	.59
Cincinnati Bell	4.50	.45
Evercom	3.00	.40
Gateway	6.75	.15 to .24

**State Agencies Affected:** Department of Administration, Department of Correction.

**Local Agencies Affected:** County Sheriffs, Juvenile Detention Facilities and Centers, Community Corrections Agencies with onsite residential programs for offenders.

**Information Sources:** Minutes of Interim Study Committee on State and Local Government Issues, August 27, 2001; Indiana Utility Regulatory Commission, Published Tariffs of Selected Vendors for Inmate Telephone Services, Telephone Contracts for Selected County Sheriffs; Dan Stickney, State Budget Agency.